



## Exhibit B



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# Net Prophet Dylan Tweney

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## Catalog City site has potential to bring an end to a flood of paper

With the holidays just around the corner, mail-order companies are going into overdrive, and each day the mail carrier brings stacks of new paper catalogs to my doorstep.

All this snail mail makes me realize how much the catalog business is riddled with inefficiency and waste. For example, I often get several copies of the same catalog, with a slightly different spelling of my name on each one. A few days later a different version of the same catalog may arrive. And most of these catalogs result in zero orders for the companies that sent them, because the catalogs contain nothing of interest to me.

Still, the overall catalog industry pulls in \$100 billion in annual revenues by littering the landscape with mailings. As many as 12 billion catalogs are mailed in the United States each year, with an average of 60 pages each.

That's 720 billion pages of glossy, printed paper. I have no idea how many trees it takes to make all that, but it's way too many.

Web-enabling an industry

All this inefficiency means that the catalog industry is ripe for electronic commerce.

Catalog City, a new online venture headed by software veteran Lee Lorenzen, aims to help the 17,000 or so U.S. catalog vendors get online. Catalog City's Web site, at [www.catalogcity.com](http://www.catalogcity.com), is a compendium of thousands of catalogs, some 450 of which accept online orders.

More than a mere portal, Catalog City helps catalog vendors get their wares on the Web by converting their printed pages to HTML and by providing a central shopping cart that customers can use for purchases in any of the online catalogs.

For catalogs that already have Web sites of their own, Catalog City presents a few items and directs visitors to the catalog's main site for the rest of the goods.

Catalog City charges the vendors \$10 per page to post their catalogs online and takes a percentage of sales made through its site. It will also sell advertising banners and will charge for keyword placement in its search engine.

#### The next level

The business model is promising. Print catalogs stand to gain so many efficiencies by going online that it will be only a matter of time before the majority of print catalogs have online versions as well.

But merely converting catalog pages to HTML won't make for a compelling shopping experience, as I wrote earlier this year. (See [Online catalogs are missing the point](#).)

To get to the next level, Catalog City will need to provide consumers with something more than a mere catalog of catalogs. It's starting to do that with a central product search engine. It also offers uniquely useful online services such as a gift registry that works across all catalogs on the site.

Other features that Catalog City should consider offering to differentiate itself from print catalogs are interactive games (with prizes, naturally) and online auctions.

But most important, Catalog City also needs to make the process of shopping at its site more enjoyable and exciting, so consumers will turn to the site simply because they enjoy using it.

Eventually -- I hope -- electronic catalogs will supplant their print-based cousins, and we will no longer have to mow down forests to print billions of paper catalogs.

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